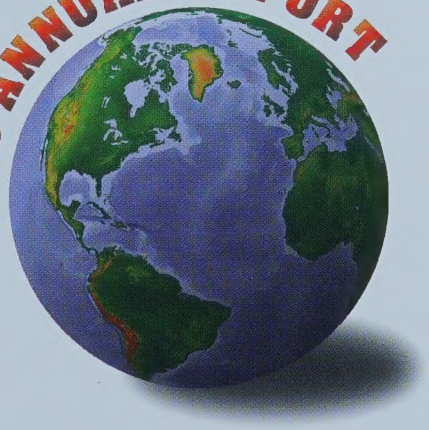
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Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

SOLID RESOURCES LTD.

1996 ANNUAL REPORT



Winspear Business Reference Room
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Edmonton, Alberta T6G 2R6



Diamond drilling rigs on the Hart Property.

SOLID RESOURCES LTD.

1996 Annual Report

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CORPORATE PROFILE AND STRATEGY

Solid Resources Ltd. undertook major changes in corporate direction during 1996. Changes which management is confident will create significant long term value for it's shareholders. The decision to expand Oil and Gas service operations internationally, announced at the end of 1995, progressed despite initial difficulties. The objective remains: to diversify and increase service revenues both geographically and by introducing additional services complementary to Solid's existing well testing and wireline activities.

The most dramatic change in Solid's corporate strategy was a decision to participate in an exploration project on a property located in the Northwest Territories. This represented a complete diversion from the Oil and Gas industry, involving exploration of a silicified volcanic rock deposit on mineral leases and claims covering 7000 acres. Solid was very pleased to announce approximately $195,000,000 in 'drill indicated reserves' following last winter's drilling program. Management remains equally optimistic about the 1996/7 winter drilling program now scheduled, following additional geophysical testing completed this past summer.

By our participation in the exploration property we have created a new dimension to Solid Resources Ltd. One that offers tremendous growth potential separate from our traditional service business and which does not reflect itself in our financial results to date.



Production logging operations in a northern California geothermal steam field. Solid's geothermal production logging tool system operates successfully to wellbore temperature in excess of 370°C (700°F).

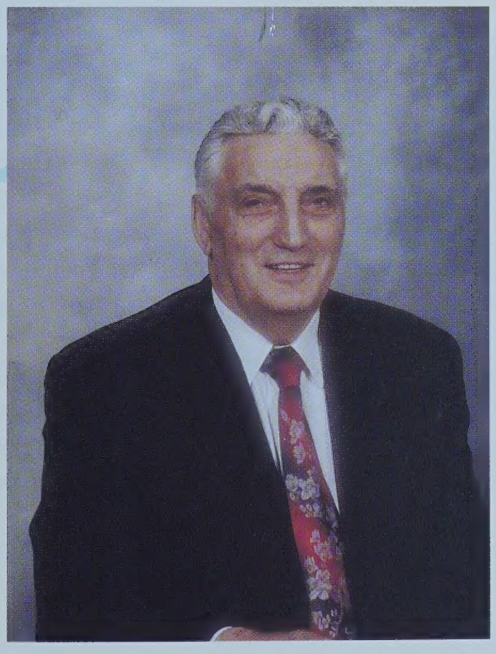
FINANCIAL HIGHLIGHTS

($ thousands except for share data)	For The Years Ended April 30 1996	1995	% Change
Financial Results			
Revenue	**$ 9,555**	$ 13,706	(30)
Net (loss) earnings	**(1,824)**	898	(303)
Cash flow from (used in) operations	**(1,757)**	2,189	(180)
Capital expenditures	**1,980**	2,198	(10)
Repayment of long term debt	989	1,011	(2)
Financial Position			
Total assets	**$ 8,483**	$ 6,859	24
Working capital (Deficiency)	**(1,545)**	(401)	285
Long term debt (including current portion)	**1,176**	2,117	(44)
Shareholders' equity	**3,267**	457	615
Per Share			
(Loss) earnings before income taxes	**$ (0.53)**	$ 0.40	(232)
Cash flow	**$ (0.37)**	$ 0.50	(174)

PRESIDENT'S MESSAGE TO SHAREHOLDERS

Fiscal Nineteen ninety-six proved to be a challenging but rewarding year for Solid. We had anticipated that domestic wireline and well testing operations would be down from last years record high, given the cyclic nature of the Western Canadian Oil and Gas industry segment. However we had hoped our expansion into production logging services would counteract this to a greater degree during the year.

The learning curve associated with setting up production logging took longer to overcome and proved more expensive then originally anticipated. Consequently start-up and ongoing operational costs were carried throughout the year without the benefit of any material revenue contribution therefrom.



Alvin A Harter,
Chairman of the Board and President



Operational Gas Plant in Yakutsk, Russia.

We could have curtailed our efforts in order to generate a better profit/loss picture for the year. However our strategy to diversify remains sound, and production logging offers the most immediate venue for doing so. This is particularly true in the international arena where 'production logging' opens the door to wireline and well testing as the ancillary services. Consequently retraction would have been counter productive to our long term goals. Production logging requires considerable investment in technical personnel and equipment. This past year we made that investment and decided to absorb the start up expenses, and maintain the infrastructure and marketing momentum. We fully expect a positive profit contribution from international activities next year.

The decision to participate in the exploration project was driven quite simply by management's desire to increase share value for the benefit of Solid's shareholders. It otherwise had no direct affiliation or synergy to the oil and gas service business.

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PRESIDENT'S MESSAGE TO SHAREHOLDERS

... continued from previous page



One of the three metering units sold to Tomskneft in Russia.



Solid pressure tank separator unit on a production test in west central Alberta.

It was a stand alone business venture prompted by the writer's extensive background in the mining industry and ability to recognize an exceptional opportunity. Fortunately the drilling results to date have clearly justified this decision.

The potential long term value enhancement provided by Solid's interest in The Hart Property cannot be measured by the money expended on it to date or by last years operating performance. This is a different type of asset which has to be measured in terms of reserves established over the long term. We anticipate that it could catapult Solid's overall growth over the mid term by allowing us to access capital markets in a manner not normally available to an Oil and Gas Service Company.

In summary I can report to our shareholders that fiscal 1996 was indeed a progressive year for Solid Resources Ltd. Perhaps the expression "short term pain for long term gain" is most appropriate. Service operations were expanded internationally, albeit perhaps too aggressively encompassing Africa, South America, the USA and Middle East. The latter two operations were closed to provide better focus in Tunisia and Venezuela. However we still plan to reactivate these other markets at a later date as cash flows become better established.

We expect a return to positive operational cash flows in fiscal 1997 with positive contributions from the new international divisions. We also remain very optimistic that further drill indicated commercial grade ore may be identified by our 1996/7 winter drilling program.

We thank you for your continued support and look forward to reporting to you in 1997.

Alvin A. Harter
Chairman of the Board and President

July 7, 1996

Management's Discussion & Analysis

To be read In conjunction with the April 30, 1996 Audited Consolidated Financial Statements and related Notes to the Consolidated Financial Statements.

Results of Operations

The Company recorded a net loss of $1.8 million in fiscal 1996, compared to net earnings in fiscal 1995 of $0.9 million. On a weighted average basis this equated to ($0.38) per share in 1996 compared to $0.20 per share in 1995. The weighted average number of shares outstanding was 4,771,003 for fiscal 1996 and 4,366,250 for 1995.

Greater than anticipated start-up costs associated with the expansion into international production logging services and related markets accounted for 67% or $1.2 million of the loss in 1996. The domestic operation reported a net loss of $0.6 million.

Cash required for operations in fiscal 1996, before changes in non-cash working capital balances, totalled $1.7 million. In fiscal 1995, cash flow generated from operations amounted to $2.2 million.

Domestic revenues totalled $8.8 million in fiscal 1996, down from last year's historical high of $13.7 million, to more normal levels as experienced in previous years. Getting established in the international markets took longer than expected, and as a result production logging revenues generated internationally amounted to only $0.7 million in 1996.

Profit margins (revenue less cost of sales, as a percentage of revenue) on domestic wireline and well testing services dropped by 5% in 1996 to 36% reflecting a more competitive domestic market and a related need to discount published rates more frequently.



Well Test in Northern Alberta

Overall profit margins were 29% in 1996 due to the high level of costs associated with the start up of production logging services and expansion into international markets.

Administration and general expenses increased by 30% to $3.8 million primarily due to increased staff and activity levels associated with market diversification and the development of international opportunities. This is reflected in an increase in salary costs, travel, outside professional services, telephone, insurance and courier costs. Administration and general expenses related to the domestic operation were at levels consistent with previous years.

Depreciation expense increased by 13 percent, excluding the adjustment to depreciation expense in 1995 of $175,000 relating to the settlement of previously outstanding litigation. Capitalized costs associated with the expansion into production logging and international markets accounts for the increase in depreciation.

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Management's Discussion & Analysis

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Interest costs totalled $414,992 in 1996 compared to $404,565 in 1995. Any reduction in interest costs related to lower levels of long term debt was offset by an increased utilization of the operating line of credit and an increase in service / finance charges incurred on trade accounts payable.

Due to the loss incurred in fiscal 1996, the deferred income tax recovery in 1996 totalled $933,000 compared to a provision of $730,000 in 1995.

Liquidity and Capital Resources

Operating activities required outside funding in the amount of $1.8 million in fiscal 1996. Start up and ongoing operational costs directly related to the diversification and expansion program, net of revenues generated internationally from production logging, accounted for $1.6 million of the total requirement. Proceeds from the issue of share capital were used to fund this requirement. Operations generated positive cash flow of $2.2 million in fiscal 1995.

Investing activities increased 65% in 1996 to $3.1 million, from $1.9 million in 1995. Capital expenditures for wireline and well testing equipment and electronic gauges, for use in both the domestic and international markets, net of proceeds on disposal of equipment, amounted to $1.5 million in 1996 compared to $1.8 million in the previous year.



Tunisian Wireline Service Job

Exploration expenditures in fiscal 1996 of $0.5 million ($0.1 million in 1995) were incurred pursuant to an agreement granting the Company the right to earn up to a 19 percent interest in certain mineral leases located in the Northwest Territories. The Company also acquired an additional 20% interest in the mineral leases for the consideration of $0.9 million, comprised of $0.4 million in cash and $0.5 million by issue of 50,000 common shares of the Company. The cash portion of these activities was funded from proceeds of share capital issues in fiscal 1996. Further exploration expenditures will be funded through additional equity placements as opposed to issuance of debt or from operational cash flows.

The Company also purchased in fiscal 1996 the production logging equipment inventory and tools of Tasco Logging Services, Inc. for the consideration of $216,212, comprised of $67,600 in cash, $81,120 in notes payable and $67,492 by issue of 10,036 common shares of the Company.

Repayment of long term debt totalled $1.0 million in both fiscal years 1996 and 1995, leaving a principal balance of $1.2 million outstanding at April 30, 1996. Of the $1.2 million outstanding, $0.8 million is due and payable to two major secured creditors within the next fiscal year. Vehicle finance contracts make up the balance of $0.4 million with repayment terms extending into fiscal year 2000.

continued on next page...

In fiscal 1996, the Company issued 965,787 common shares for a total consideration of $4.6 million, net of share issue costs. The total consideration consisted of $3.8 million in cash, $0.5 million in exchange for services, $0.1 million for purchase of assets and $0.2 million for the conversion of debt. As a result there was a significant improvement in the debt to equity ratio during the year. The capital structure at April 30, 1996 comprised 61% debt and 39% equity, compared to 93% debt and 7% equity at April 30,1995.



Post stimulation flow back well test in British Columbia, Canada.



High pressure separator shipped to Venezuela.

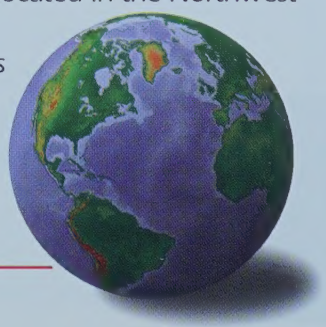
The working capital deficiency at April 30, 1996 amounted to $1.5 million compared to $0.4 million at April 30, 1995. As a result the Company did not meet certain working capital covenants under the bank revolving loan facility and the loan agreement with RoyNat Inc. The Company bankers have agreed to maintain the existing revolving credit facility with the covenant breach to be resolved on or before October 31, 1996 reporting period. RoyNat Inc. has stated that they have no intention of enforcing their security at this time. Plans are in place to correct the working capital deficiency by way of new debt financing or new equity offerings.

Business Outlook

Today, Solid Resources Ltd. is better positioned to take advantage of new opportunities presented in the Oil and Gas Resource Sector, both domestically and internationally. The Company made considerable progress in fiscal 1996 developing international opportunities by adding the technical and managerial infra-structure necessary to penetrate offshore markets.

Domestic revenues are expected to hold at current levels. With the ground work done in 1996, international operations are expected to make a significant, positive contribution in future years.

Equally significant to the Company's future is it's participation in the mineral exploration program on leases located in the Northwest Territories. This venture, while more speculative in nature, holds tremendous promise for development into a significant asset for the Company premised on establishing additional reserves.



Management's Report

The accompanying consolidated financial statements of Solid Resources Ltd. were prepared by management in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the annual report is consistent with that shown in the consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information.

KPMG Peat Marwick Thorne, an independent firm of chartered accountants appointed by the shareholders, have examined the consolidated financial statements. The Audit Committee has reviewed the consolidated financial statements with management and the auditors and has reported to the Board of Directors who have approved the consolidated financial statements.

Alvin A. Harter
Chairman of the Board and President

Allen L. Berting
Secretary and Controller

June 7, 1996

Edmonton, Alberta, Canada



Management and Geologists reviewing data on geophysical and diamond drill results from Hart Property.

Auditor's Report to the Shareholders

We have audited the consolidated balance sheets of Solid Resources Ltd. as at April 30, 1996 and April 30, 1995 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 1996 and 1995 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

KPMG Peat Marwick Thorne

Chartered Accountants

June 7, 1996 Calgary, Canada
(except as to notes 9 and 11, which are as of September 25, 1996)

Consolidated Balance Sheets • As At April 30

	1996	1995
ASSETS		
Current Assets		
Accounts receivable	**$ 2,610,327**	$ 3,206,459
Inventories (Note 4)	**333,445**	172,931
Prepaid expenses and deposits	**155,170**	162,618
	3,098,942	3,542,008
Deferred Finance Charges	**–**	2,322
Deferred Exploration Costs (Note 5)	**1,520,589**	105,647
Property and Equipment (Note 6)	**3,731,106**	3,057,776
Due from Joint Venture Participant (Note 8)	**132,254**	151,392
	5,383,949	3,317,137
	$ 8,482,891	$ 6,859,145
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Bank indebtedness (Note 9)	**$ 486,491**	$ 248,804
Accounts payable and accrued liabilities	**2,248,142**	2,212,181
Promissory notes payable (Note 10)	**690,988**	404,000
Current portion of long term debt (Note 11)	**971,763**	958,169
Income taxes payable	**247,000**	120,000
	4,644,384	3,943,154
Long Term Debt (Note 11)	**204,630**	1,158,949
Deferred Income Taxes	**367,000**	1,300,000
	5,216,014	6,402,103
Shareholders' Equity		
Share capital (Note 13)		
Authorized		
Unlimited number of common shares		
Issued		
5,332,037 (4,366,250) common shares	**5,273,901**	639,625
Currency translation adjustment	**50,336**	50,336
Deficit	**(2,057,360)**	(232,919)
	3,266,877	457,042
Contingencies and Commitments (Note 12)		
Subsequent Events (Note 17)		
	$ 8,482,891	$ 6,859,145

See Notes to the Consolidated Financial Statements.

Signed On Behalf of the Board

Director

Director

Consolidated Statements of Earnings and Deficit • Years Ended April 30

	1996	1995
Revenue	$ 9,554,591	$ 13,705,887
Cost of sales	6,812,247	8,120,745
	2,742,344	5,585,142
Expenses		
Administration and general	3,783,958	2,891,430
Depreciation (Note 6)	1,038,087	739,670
Interest on long term debt	148,643	212,225
Interest on promissory notes	61,339	46,740
Interest and bank charges	205,010	141,513
Interest on capital leases	–	4,087
	5,237,037	4,035,665
Earnings (loss) before the undernoted	(2,494,693)	1,549,477
Other income		
Gain on sale of property and equipment	39,863	193,013
Foreign exchange (loss)	(58,135)	(2,068)
Miscellaneous revenue	2,524	7,945
Earnings (loss) before income taxes	(2,510,441)	1,748,367
Income taxes (Note 14)		
Current	247,000	120,000
Deferred (recovery)	(933,000)	730,000
	(686,000)	850,000
Net earnings (loss)	(1,824,441)	898,367
Deficit, beginning of year	(232,919)	(1,131,286)
Deficit, end of year	$ (2,057,360)	$ (232,919)

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Financial Position • Years Ended April 30

	1996	1995
Operating Activities		
Net earnings (loss)	**$ (1,824,441)**	$ 898,367
Add (deduct) items not affecting cash		
Depreciation	**1,038,087**	739,670
Amortization of deferred finance charges	**2,322**	13,654
Gain on sale of property and equipment	**(39,863)**	(193,013)
Deferred income taxes	**(933,000)**	730,000
	(1,756,895)	2,188,678
Changes in non-cash balances relating to operations		
Accounts receivable	**1,446,132**	(568,486)
Inventories, prepaid expenses and deposits	**(153,066)**	(18,280)
Accounts payable and accrued liabilities	**35,961**	677,095
Income taxes payable	**127,000**	103,960
	(300,868)	2,382,967
Investing Activities		
Purchase of property and equipment	**(1,763,513)**	(2,198,033)
Acquisition of Tasco Logging Services assets	**(216,212)**	–
Proceeds on disposal of equipment	**308,171**	430,979
Deferred exploration costs	**(1,414,942)**	(105,647)
	(3,086,496)	(1,872,701)
Financing Activities		
Advances to joint venture	**19,138**	(305,257)
Issue of share capital	**4,634,276**	–
Proceeds of share capital issue included in accounts receivable	**(850,000)**	–
Increase in long term debt	**48,210**	820,465
Repayment of long term debt	**(988,935)**	(1,001,592)
Repayment of capital lease obligations	–	(8,922)
Promissory notes payable	**286,988**	–
	3,149,677	(495,306)
Net cash inflow (outflow)	**(237,687)**	14,960
Bank indebtedness, beginning of year	**248,804**	263,764
Bank indebtedness, end of year	**$ 486,491**	$ 248,804

Bank indebtedness is defined as outstanding cheques less cash in bank.

See Notes to the Consolidated Financial Statements.

1. DESCRIPTION OF BUSINESS

Solid Resources Ltd. (the "Company") is incorporated under the Laws of the Province of Alberta.

The Company is a holding company with investments in four wholly owned subsidiaries all of which are consolidated:

354002 Alberta Ltd.
- 99% partner in Solid Wireline Services, a partnership which is engaged in oil and gas well testing and servicing, in addition to the acquisition, exploration and development of resource properties.

358738 Alberta Ltd.
- 1% partner in Solid Wireline Services.

383933 Alberta Ltd.
- holding company previously engaged in the rental of wireline servicing equipment.

Solid Energy Services, Inc.
- U.S. subsidiary, providing production logging services in the U.S. and Venezuela.

The Company also holds a fifty percent interest in an offshore corporate joint venture that is accounted for by the proportionate consolidation basis:

Solid Engineering (Cyprus) Limited
- engaged in the sale of gas plants and other related oilfield equipment in the Russian Federation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

Inventories are recorded at the lower of cost and replacement cost.

(b) Property and equipment

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is recorded at rates designed to depreciate the cost of assets over their estimated useful lives on a straight-line basis as follows:

Wireline tools and equipment	10%	Well testing equipment	10%
Automotive and mobile homes	15%	Furniture and equipment	10%
Computer equipment	20 %	Leasehold improvements	50%
Buildings	5%	Equipment under capital lease	15%
Electronic gauges	20%		

(c) Deferred finance charges

The cost of obtaining financing is amortized at a rate proportionate to the interest over the term of the related long term debt.

(d) Deferred exploration costs

The Company is also engaged in the acquisition, exploration and development of resource properties. These activities are in the pre-production stage, and accordingly all costs, net of incidental revenues, are capitalized. When properties are developed to the stage of commercial production, these costs will be charged against earnings, through unit of production depletion. The costs relating to a property abandoned are written off when the decision to abandon is made. General administration and overhead expenditures are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Deferred income taxes

The company follows the tax allocation basis of accounting for income taxes. Deferred income taxes shown on the financial statements result from timing differences between financial and tax reporting principally related to recognition of partnership income.

(f) Investment in joint venture

The investment in the corporate joint venture, Solid Engineering (Cyprus) Limited, was previously accounted for on the equity basis. During the year, the Company retroactively adopted the policy of proportionate consolidation as required by the CICA accounting recommendations. As a result the prior year comparative figures have been reclassified to conform to the current year presentation.

(g) Foreign currency translation

Monetary balance sheet items are translated into Canadian dollars at the exchange rate in effect at the year end, and income and expense items are translated at the rates prevailing at the transaction date. Gains or losses resulting from translation are included in earnings.

3. ACQUISITION

On September 6, 1995, the Company purchased the production logging equipment inventory and tools of Tasco Logging Services Inc., for consideration of $216,212 (U.S. $160,000), comprised of $67,600 (U.S. $50,000) in cash, $81,120 (U.S. $60,000) in notes payable and $67,492 by issue of 10,036 common shares of the Company at $6.72 per share.

The aggregate estimated fair value of the assets acquired is as follows:

Inventory and tools	$121,680
Automotive equipment	81,120
Other	13,412
	$216,212

4. INVENTORIES

	1996	1995
Wireline consumables	**$ 303,687**	$ 122,591
Testing consumables	**23,495**	33,053
Other	**6,263**	17,287
	$ 333,445	**$ 172,931**

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5. DEFERRED EXPLORATION COSTS

The Company, through its wholly owned subsidiary 354002 Alberta Ltd., has entered into an Agreement dated February 15, 1995 with related parties whereby the Company has been granted the exclusive and irrevocable option and right to earn up to a nineteen (19%) percent interest in certain mineral leases located in the Northwest Territories . For each $100,000 of qualified exploration and development expenditures incurred by the Company on the leases, the Company earns a one (1%) percent interest. As at April 30, 1996, $620,589 (1995 - $105,647) of qualified expenditures have been incurred. During the currency of this Option Agreement, operational control shall be vested in the Company provided that the Company continues to incur expenditures and earn its interest in the property.

The related parties involved are subject to significant influence by an officer and major shareholder of the Company.

On December 28, 1995, the Company acquired an additional twenty (20%) percent interest in the mineral leases for consideration of $900,000, comprised of $400,000 in cash and $500,000 by issue of 50,000 common shares of the Company.

In December, 1995, the Company, through its wholly owned subsidiary 354002 Alberta Ltd., entered into a "Farm-In" Agreement with a group of investors whereby in exchange for advancing funds for purposes of incurring Canadian Exploration Expense on the mineral leases, the investors will earn an interest in the mineral leases. For every $100,000 that is spent, the investor group will earn a .6% interest, to a maximum of $500,000 and a 3% interest.

In addition, each investor has entered into a Put and Call Agreement with Solid Resources Ltd., whereby the investors can either put their interest in the leases to the Company, or the Company can call the investors' interest in the leases in exchange for common shares of Solid Resources Ltd. At the time the put or call are exercised, the value of the investors' interest in the leases will be determined by an independent geologist.

At this time, it is uncertain as to how many common share of the Company will be issued pursuant to the Put and Call Agreements.



Post stimulation flowback well test in British Columbia, Canada.

6. PROPERTY AND EQUIPMENT

	1996		
	Cost	Accumulated Depreciation	Net Book Value
Wireline tools and equipment	$ 3,364,750	$ 2,372,620	$ 992,130
Well testing equipment	1,462,976	415,733	1,047,243
Automotive equipment	3,695,065	2,689,194	1,005,871
Electronic gauges	735,185	139,427	595,758
Furniture and equipment	102,107	84,775	17,332
Computer equipment	130,055	64,775	65,280
Mobile homes	15,150	7,658	7,492
Leasehold improvements	17,985	17,985	–
Equipment under capital lease	561,421	561,421	–
	$ 10,084,694	$ 6,353,588	$ 3,731,106

	1995		
	Cost	Accumulated Depreciation	Net Book Value
Wireline tools and equipment	$ 3,083,273	$ 2,266,824	$ 816,449
Well testing equipment	1,112,855	302,162	810,693
Automotive equipment	3,122,206	2,150,230	971,976
Electronic gauges	396,514	7,242	389,272
Furniture and equipment	85,043	74,535	10,508
Computer equipment	98,748	48,877	49,871
Mobile homes	15,150	6,143	9,007
Leasehold improvements	17,985	17,985	–
Equipment under capital lease	561,421	561,421	–
	$ 8,493,195	$ 5,435,419	$ 3,057,776

Pursuant to the settlement of previously outstanding litigation, the cost of wireline tools and equipment, accumulated depreciation and depreciation expense as at and for the year ended April 30, 1995, were reduced by $300,000, $175,000 and $175,000 respectively.

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7. Investment in Joint Venture

Solid Resources Ltd. has a fifty (50%) percent interest in Solid Engineering (Cyprus) Limited, a joint venture Cypriot company incorporated on October 24, 1991 to direct the development of the foreign operations of the Company.

The condensed Statements of Operations of Solid Engineering (Cyprus) Limited for the year ended April 30 are as follows:

	1996	1995
Administration and general expenses	$ –	$ 336,656
Net loss	$ –	$ 336,656
Proportionate interest included in administration and general expense	$ –	$ 168,328

The condensed Balance Sheets of Solid Engineering (Cyprus) Limited as at April 30 are as follows:

	1996	1995
Assets		
Cash	$ 5,676	$ 10
Corporation tax refundable	11,797	–
Prepaid expenses	–	12,814
Tools and equipment	–	97,920
Due from joint venture participants	924,640	924,640
	$ 942,113	$ 1,035,384
Liabilities and Participants' Equity		
Accrued expenses	$ 14,383	$ 59,277
Due to Solid Resources Ltd.	335,213	383,590
Share capital	134,800	134,800
Retained earnings	357,043	357,043
Currency translation adjustment	100,674	100,674
	$ 942,113	$ 1,035,384

Amounts are included in the consolidated balance sheet on the proportionate consolidation basis.

8. DUE FROM JOINT VENTURE PARTICIPANT

Transactions during the year with the joint venture participant, a related company, consisted of the following:

	1996	1995
Balance, beginning of the year	**$ 151,392**	$ (153,865)
Interest incurred on loan	**(75,324)**	(75,324)
Payments to joint venture participant	**2,000**	73,775
Administration fees charged to joint venture participant	**78,375**	77,000
Transfer of equipment	**(48,960)**	–
Payments made on behalf of joint venture participant	**24,771**	229,806
Balance, end of year	**$ 132,254**	$ 151,392
Balance consists of:		
Receivable from participant	**$ 989,494**	$ 1,008,632
Payable to participant	**857,240**	857,240
	$ 132,254	$ 151,392

The amount payable to participant bears interest at 10% per annum, is repayable on demand and is secured by the Company's shares in the joint venture (Note 7).

In addition the Company has agreed that in the event the controlling interest in Solid Resources Ltd. is not held by the existing control group or in the event of the Company's bankruptcy, title to the shares held as security will be transferred to the joint venture participant.

The joint venture participant is subject to significant influence by an officer and major shareholder of the Company.

9. BANK INDEBTEDNESS

The Company has arranged with its bankers, a demand, revolving loan facility in the amount of $500,000 for the purpose of financing general operating requirements. Interest is charged at a floating rate equal to the bank's prime rate plus 1.5%. Total loans outstanding are subject to certain margin limitations.

Bank indebtedness, consisting of amounts drawn on the operating line and outstanding cheques, amounted to $486,491 at April 30, 1996 (1995 - $248,804).

Security is provided by a general security agreement with the only permitted encumbrances being a debenture in favour of 340308 Alberta Ltd., Bill-Kar Holdings Ltd. and ByNet Holdings Ltd., and a debenture in favour of RoyNat Inc. (Reference is made to Note 11).

The Company did not meet the working capital covenant under the revolving loan facility at April 30, 1996 and the bank has stated that it is prepared to maintain the existing credit facility with the covenant breach to be resolved on or before October 31, 1996 reporting period.

Plans are in place to correct the working capital deficiency by way of new debt financing or new equity offerings. It is the opinion of management that the new financing will be completed in time to satisfy the breach in the working capital covenant.

continued on next page...

10. PROMISSORY NOTES PAYABLE

	1996	1995
Unsecured note payable to a shareholder bearing interest at bank prime plus 2%, payable on demand. A demand for payment has been received by the Company (Note 12(a)). Accrued interest at April 30, 1996 of $69,862 (1995 - $78,915) is included in accounts payable and accrued liabilities.	**$ 200,000**	$ 200,000
Unsecured notes payable bearing interest at rates varying from 10% to 15% per annum. Refer to Note 12(c).	**456,160**	204,000
Note payable, bearing interest at 8% per annum, and secured by certain automotive equipment.	**$ 34,828**	$ –
	$ 690,988	$ 404,000

11. LONG TERM DEBT

	1996	1995
RoyNat Inc. term loan, repayable by monthly payments of $33,000 plus interest at the lenders cost of funds plus 2.5%, maturing April 15, 1997	**$ 405,000**	$ 801,000
340308 Alberta Ltd., Bill-Kar Holdings Ltd. and ByNet Holdings Ltd. promissory notes, repayable by monthly graduating payments from $15,000 to $50,000 plus interest at 8% per annum, maturing April 30, 1997	**380,000**	650,000
Financing for purchase of electronic gauges, non-interest bearing, repayable by monthly payments ending October 1, 1995.	**–**	135,450
Vehicle finance contracts, repayable by monthly payments of $19,244 including interest at rates ranging from 6.9% to 11.70%, maturing in 1996 through to 1999	**391,393**	530,668
	1,176,393	2,117,118
Less current portion	**971,763**	958,169
	$ 204,630	$ 1,158,949

The RoyNat Inc. term loan is secured by an assignment and hypothecation of the issued and outstanding share capital of 354002 Alberta Ltd., a first fixed charge on all fixed assets, a floating charge debenture on all other assets, and by a postponement of the landlord's interest in the assets located at each branch location, of the wholly-owned subsidiary 354002 Alberta Ltd.

The loan agreement contains a covenant requiring the Company to maintain a certain working capital position, as defined. Although this covenant was in default at April 30, 1996, RoyNat has stated that they have no intention of enforcing their security at this time.

11. Long Term Debt...continued

The term loan from 340308 Alberta Ltd., Bill-Kar Holdings Ltd. and ByNet Holdings Ltd. is secured by a General Security Agreement over the assets of Solid Wireline Services (partnership) subordinated to any and all security granted to RoyNat Inc. to a maximum principal sum of $3.0 million, to security which may now or hereafter be granted to secure an operating line of credit to a maximum amount of $500,000, and to security granted to lenders who are providing financing for the acquisition of new equipment.

Certain equipment has been pledged as collateral for the vehicle finance contracts.

The principal repayments of long term debt required in each of the next five years are estimated as follows:

1997	971,763
1998	122,243
1999	72,432
2000	9,955
2001	-

12. CONTINGENCIES AND COMMITMENTS

(a) A demand for payment from the holder of a $200,000 note payable was received by the Company in 1992. Successful arrangements have been made with the note holder to forego any further collection action, with a commitment by the Company to repay the amount outstanding from the proceeds of the next foreign sale.

(b) The Company is defendant in three legal actions with former employees alleging wrongful dismissal and claiming $400,000 in damages. The resolution of any of these actions is, in the opinion of management, not expected to have a material adverse effect on the Company's consolidated financial position. No provision has been made in these statements with respect to costs, if any, to be incurred.

(c) The Company and an officer of the Company are defendants in a claim issued by the holder of a $50,000 note payable, claiming damages in the amount of $950,000 or alternatively an order requiring the defendants, to deliver 100,000 common shares of Solid Resources Ltd. to the plaintiff pursuant to the conversion of a certain debt. It is not possible at this time to determine any potential liability in respect of this action.

(d) The Company is committed under operating leases on leased equipment and premises for future minimum lease payments through the year 2000 as follows:

1997	212,246
1998	126,740
1999	80,496
2000	46,956

Any losses which may result from the contingencies in items (a), (b) and (c) above will be accounted for in the period in which they are determined.

continued on next page...

13. SHARE CAPITAL

Authorized
Unlimited number of common shares.

Issued

	Number	Amount
Balance at April 30, 1995	4,366,250	$ 639,625
Common shares issued during the year		
- for cash	440,351	2,423,610
- warrants exercised	200,000	920,000
- share options exercised	196,600	491,500
- in exchange for services	50,000	500,000
- purchase of assets of Tasco Logging Services, Inc.	10,036	67,492
- conversion of debt	68,800	259,120
	965,787	4,661,722
	5,332,037	5,301,347
Share issue costs	--	(27,446)
Balance at April 30, 1996	**5,332,037**	**$ 5,273,901**

Net loss per share for the year ended April 30, 1996 amounted to $0.38. (1995 net earnings per share of $0.20).

Of the common shares issued for cash, for warrants exercised and for share options exercised, an amount of $850,000 is included in accounts receivable at April 30, 1996 which was received in cash subsequent to April 30, 1996.

The Company has reserved for issuance 175,151 common shares pursuant to the exercise of warrants and stock options as follows:

	Number of Shares	Price Per Share	Expiry Date
Warrants	11,111	$ 15.00	Oct. 3, 1996
	7,840	$ 15.00	Oct. 25, 1996
	9,700	$ 15.00	Oct. 26, 1996
Employee stock options	96,500	$ 2.50	Jun. 30, 1997
Director stock option	50,000	$ 9.50	Oct. 15, 1998

14. INCOME TAXES

The Company has a combined federal and provincial statutory tax rate in 1996 of 44.6% (1995 - 44.38%). The income tax provision differs from the amount obtained by applying the combined Canadian federal and provincial income tax rate to net earnings as follow:

	1996	1995
Expected income tax expense (recovery)	**$ (1,120,000)**	$ 774,000
Non-deductible depreciation	**--**	75,000
Other	**18,000**	(40,000)
Non taxable portion of capital gains	**--**	(26,000)
Non-deductible losses of joint ventures and foreign subsidiary	**416,000**	67,000
	$ (686,000)	$ 850,000

The Company has non-capital losses of approximately $540,000 available to reduce future taxable income to the year 2002. The benefit of these loses has not been reflected in these financial statements.

15. RELATED PARTY TRANSACTIONS

Related party transactions not disclosed elsewhere in these consolidated financial statements include:

	1996	1995
Notes payable to shareholders	**$ 275,000**	$ 204,000
Notes payable to director	**65,000**	--
Note payable to related company	**50,000**	--
Interest charged on loans from shareholders, director and related company, included in interest expense	**35,392**	20,050
Payments to directors and officers for management services	**260,920**	232,320

16. SEGMENTED INFORMATION

Industry Segments : The Company is engaged in three principal industry segments, gas and oil field services, the exploration and development of mineral properties, and the sale of gas and oil field equipment.

With respect to the exploration and development activity, it is in the exploration stage and all expenditures directly related to this segment are capitalized. There was no significant activity in the sale of gas and oil field equipment segment during the year.

Geographic Segments: The geographic areas in which the company operates are Canada, United States, Venezuela, Tunisia, Abu Dhabi and Russia. No geographic segment outside Canada is considered to be significant to the Company in 1996 and 1995.

17. SUBSEQUENT EVENTS

(a) On May 20, 1996, the Company signed a Letter of Intent with Trinidad Y Venezuela, C.A. ("Trivenca"), a company incorporated in Venezuela, to purchase all the assets and goodwill from Trivenca free and clear of any debts and encumbrances. The purchase consideration of U.S. $2.3 million, consists of U.S. $1.3 million in cash and U.S. $1.0 million by issue of common shares of the Company upon signing of the legal transfer of ownership. The above terms and conditions are subject to due diligence examination, arranging appropriate financing and the approval of regulatory authorities.

(b) The Company was awarded a contract dated February 5, 1996, for the manufacture and delivery of three mobile metering units to OTJC "Tomskneft" VNC of Russia in the amount of U.S. $767,450. Shipment date is scheduled for the fall of 1996. Payment of 100% of the contract price will be made through an irrevocable letter of credit, dated March 26, 1996 and issued by Tokobank, Moscow. The irrevocable letter of credit is guaranteed by Special Commitment of the World Bank. The expiry date of the Letter of Credit is October 6, 1996.

Five Year Statistical Summary for the Years Ended April 30.

($ thousands except for share data)	1996	1995	1994	1993	1992
Financial Results					
Revenue	**$ 9,555**	$ 13,706	$ 9,287	$ 5,422	$ 5,777
Earnings (loss) before income taxes	**(2,510)**	1,748	1,216	(635)	(1,532)
Earnings (loss) per share	**(0.53)**	0.40	0.28	(0.15)	(0.36)
Number of common shares	**5,332,037**	4,366,250	4,366,250	4,366,250	4,300,000
Changes in Financial Position					
Cash flow from (used in) operations	**$ (1,757)**	$ 2,189	$ 1,978	$ 180	$ (458)
Cash flow per share	**(0.37)**	0.50	0.45	0.04	(0.11)
Net capital expenditures	**(1,671)**	(1,767)	(531)	103	(242)
New debt financing	**48**	820	214	0	
Debt repayment	**(989)**	(1,011)	(247)	(373)	(413)
Financial Position					
Total assets	**$ 8,483**	$ 6,859	$ 5,523	$ 4,324	$ 5,111
Working capital (deficiency)	**(1,545)**	(401)	(728)	(1,041)	(2,211)
Property and equipment - net	**3,731**	3,058	2,137	2,342	3,223
Current portion long term debt	**(972)**	(958)	(630)	(457)	(531)
Long term debt	**(205)**	(1,159)	(1,677)	(1,883)	(1,382)
Shareholders' equity (deficiency)	**3,267**	457	(492)	(1,138)	(509)
Statistics					
Working capital ratio	**1 : 1.5**	1 : 1.1	1 : 1.2	1 : 1.7	1 : 2.7

Map of the Hart Property

Location of Volcanogenic, Polymetallic, Massive Sulfide Deposit





Exploration activities on the Hart Property.



Domestic Operation

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Foreign Operation

SOLID ENGINEERING
(Cyprus) LIMITED
Nicosia, Cyprus

Corporate Information

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President and C.E.O.
Ardrossan, Alberta

ROBERT FOX, P.Eng.
Vice President and C.O.O.
Calgary, Alberta

FRANKLIN L. KOBIE,
M.B.A., F.C.M.A.
Corporate Director
Edmonton, Alberta

GARY HORTON
Corporate Director
Ardrossan, Alberta

Officers

ALVIN HARTER
Chairman of the Board
President and C.E.O.

ROBERT FOX, P.Eng.
Vice President and C.O.O.

ALLEN L. BERTING
Secretary and Controller

Auditors

KPMG Peat Marwick Thorne
1200, 205 - 5 Avenue S.W.
Calgary, Alberta

Legal Counsel

Bryan & Company
2600 Manulife Place
10180 - 101 Street
Edmonton, Alberta

Bankers

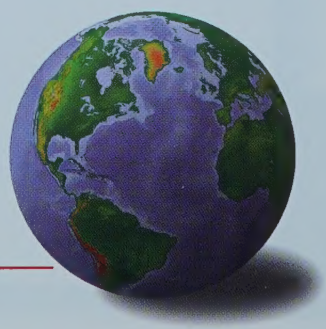
Royal Bank of Canada
Leduc, Alberta

Stock Exchange Listing

The Alberta Stock Exchange
Trading Symbol - SRW

Transfer Agent

Montreal Trust Company
530 - 8 Avenue S.W.
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